Superfresh

1996 Business Review

Provided by

R.J. Reynolds Tobacco Co.

Presented by R.H. Fricke

Janurary 7, 1997

"The Cigarette Catagory"

(1)FDACTS.ppt

Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

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FDA REGULATIONS: TOPLINE

Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

FDA Regulations Impact on Trade if Implemented :

Rules Effective February 28, 1997

- ***Minimum Sales Age***- Retailers may not sell cigarettes or smokeless tobacco to anyone under 18 years of age
- ***Proof of Age*** - Retailers must verify by photo ID that any person purchasing cigarettes or smokeless tobacco is at least 18 years of age. Customers over 26 years of age do not need to be asked to verify age. Age does not need to be verified in facilities that are off-limits to persons under 18 years of age.

Rules Effective August 28, 1997

- ***Self-Service Display Ban*** - Retailers may not offer cigarettes and smokeless tobacco from self-service displays, except in facilities where persons under 18 years of age (including employees) are not permitted.
- ***Vending Machine Ban*** - Retailers may not sell cigarettes or smokeless tobacco from vending machines, except in facilities where persons under 18 years of age (including employees) are not permitted.
- ***No Breaking Packs*** - Retailers may sell cigarettes only in unopened packages containing at least 20 cigarettes or in cartons. Retailers may sell smokeless tobacco only as packaged by the manufacturer.
- ***Mail-Order Sales*** - Retailers may fill mail-order requests, but may not redeem coupons sent by mail.
- ***Exterior Signage*** - Retailers within 1000 feet of a playground or school may not display exterior or outdoor advertising for cigarettes or smokeless tobacco. Permitted advertising must be black text on white background.

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FDA Regulations Impact on Trade if Implemented :

Rules Effective August 28, 1997 (cont'd)

- ***Interior Advertising*** - All point-of-sale advertising in any form for cigarettes or smokeless tobacco is in a black text on a white background format, except in facilities where persons under 18 years of age (including employees) are not permitted. For "adult only" facilities, interior advertising may be in color and use imagery provided the advertising is attached to an interior wall or fixture and is not visible from the outside.

- ***Established Name/Intended Use Statement*** - Each advertisement for cigarettes or smokeless tobacco must carry the product's "established name" and "intended use" -- "Cigarettes -- a Nicotine-Delivery Device for Persons 18 or Older".

- ***No Branded Merchandise*** - The retailer or manufacturer may not sell or give away non-tobacco merchandise bearing a cigarette or smokeless tobacco brand name or logo.

- ***No Free Samples*** - Coupon redemption is permitted in face-to-face transactions, but retailers and manufacturers may not give cigarettes or smokeless tobacco away as free samples.

- ***Non-Complying Items*** - No piece of current advertising complies with the FDA regulation.

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

CIGARETTE / TOBACCO STORE TOPLINE

Supermarket Options

- Continue with business as usual ***but*** develop contingency plans that will maintain / build cigarette business in a restricted access environment.
- Begin immediately with "Store-in-a-Store" concepts that will answer restricted access legislation ***and*** strengthen your business against cigarette / tobacco store proliferation.

Monitor both FDA *and* Local legislative activity. Let your government officials know how proposed laws will impact your business

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"Store in a Store" Concepts

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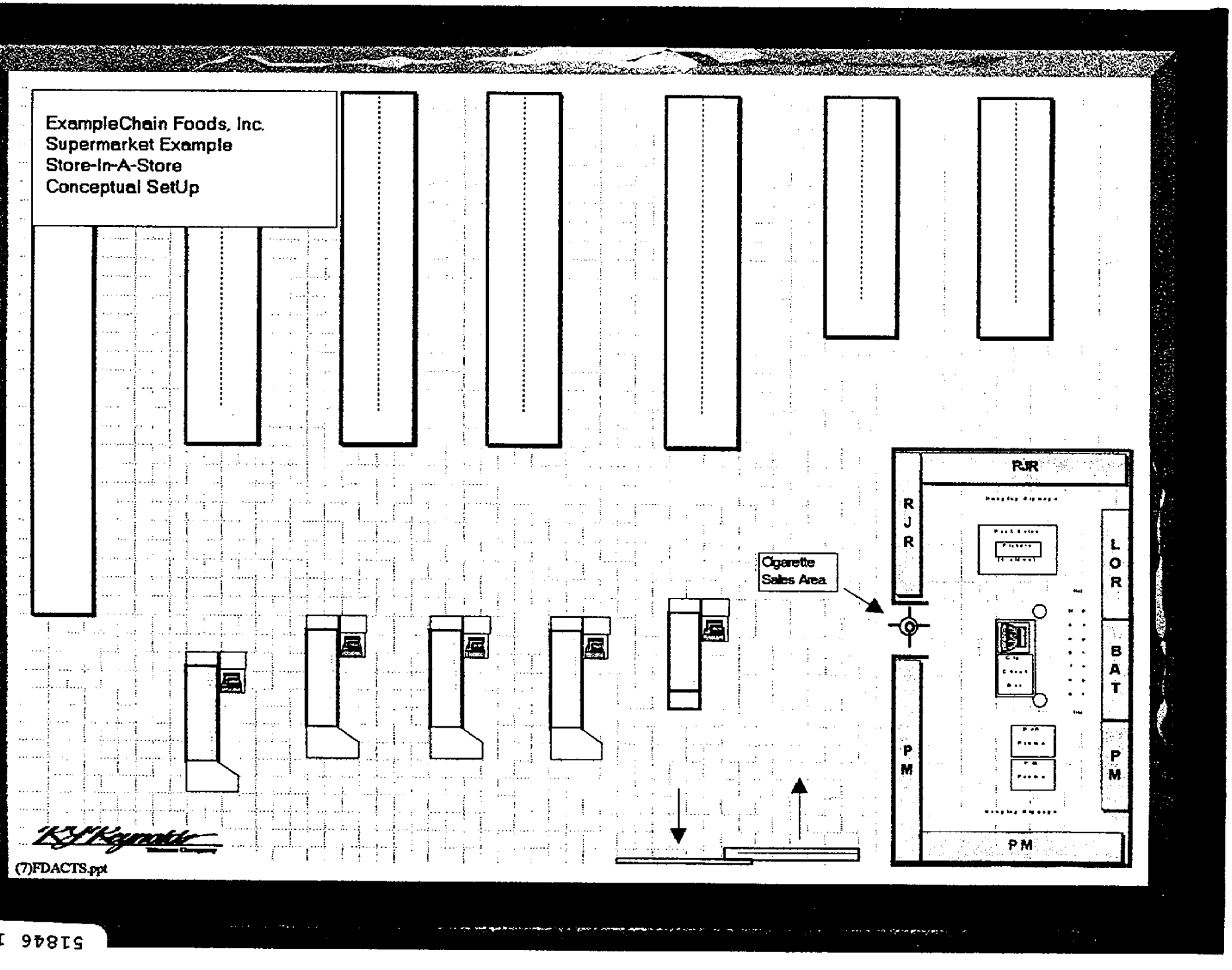

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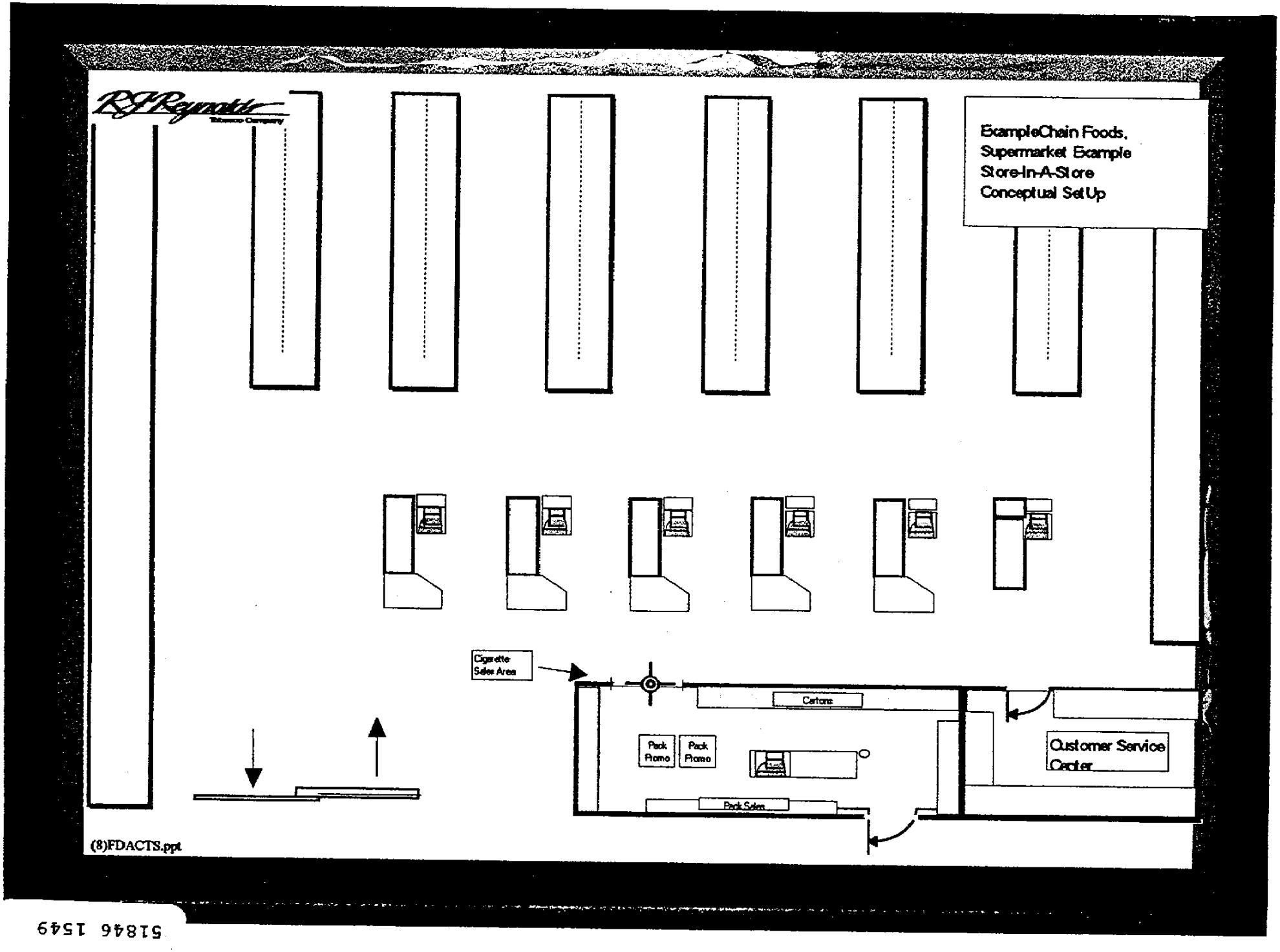

Source: https://www.industrydocuments.ucsf.edu/docs/pylv0000

1997

R.J. Reynolds Contract Volume Requirement

- Minimum Volume Requirement
  - Self Service
    - 80 Cartons per week - R.J.R.
  - Non Self Service
    - 70 Cartons per week - R.J.R.

- Currently Qualifying Superfresh Locations
  - One (1)
    - Store# 246 - Huntingdon Valley, PA
      - 76 cartons per week - RJR

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R.J.R. Retail Assist Program

- Available to stores that are currently under standard contract volume
  - To Assist Partner Accounts that currently have R.J. Renyolds merchandising, and that have the potential to grow their volume.

- Requirement
  - Account must maintain current merchandising status
  - Implement strategy to Maximize Category Growth

- Retail Display Allowance
  - $100.00 per month, per store

- Current Qualifying Superfresh Locations
  - Forty (40)
    - See Following Store List Attachment

- All Equipment supplied will be on a "Cost Shared" basis.

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RJR ACCOUNT NUMBER	ADDRESS	CITY	STATE	AIM-WEEKLY-CARTON-VOLUME	AIM-RJR-WEEKLY-CARTON-VOLUME	*Currently Has* CTN-OUTLET-L2A	*Currently Has* CTN-OUTLET-NSL2A	1997 Available Contract	1997 Monthly RDA
036008	25 GREENTREE DR	DOVER	DE	144	45	0	0	RA	$100
036007	4493 HIGHWAY ONE	REHOBOTH BCH	DE	111	29	1	0	RA	$100
183658	3 MAIN ST	HELLERTOWN	PA	177	47	0	1	RA	$100
230411	4357 SWAMP RD	DOYLESTOWN	PA	214	51	0	0		
276990	3070 WELSH RD	WILLOW GROVE	PA	134	22	0	1	RA	$100
277080	1500 HIGH STREET	POTTSTOWN	PA	126	29	0	0		
277248	GREEN & PENNSYLVANIA	DOWNINGTOWN	PA	139	35	0	1	RA	$100
277252	1851 E LINCOLN HWY	COATESVILLE	PA	108	24	0	0		
278805	84 E GLENWOOD AVE	SMYRNA	DE	74	15	0	0		
279951	RT 130 & PRINCETON	HIGHTSTOWN	NJ	250	52	0	1	RA	$100
280823	1500 HAVEN AVE	OCEAN CITY	NJ	175	35	0	0		
336300	1080 BLACK HORSE PIK	TURNERSVILLE	NJ	118	27	0	1	RA	$100
475086	2100 COUNTY LINE RD	HUNTINGDON VALL	PA	343	76	0	0	NSSL2A	$150
491865	TILTON ROAD_& HINGSTON AVE	EGG HBR TWP	NJ	153	27	0	1	RA	$100
491900	1001 SOUTH ST	PHILADELPHIA	PA	59	16	0	0		
506575	1 BAYNARD RDRD	KENNET SQ	PA	224	44	0	1	RA	$100
510705	ROUTE 73	MARLTON	NJ	163	35	0	1	RA	$100
533656	PLAINSBORO&SCHALKS R	PLAINSBORO	NJ	237	37	1	0	RA	$100
538140	RT. 100 AND RT. 724	POTTSTOWN	PA	156	34	1	0	RA	$100

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RJR ACCOUNT NUMBER	ADDRESS	CITY	STATE	AIM-WEEKLY-CARTON-VOLUME	AIM-RJR-WEEKLY-CARTON-VOLUME	*Currently Has* CTN-OUTLET-L2A	*Currently Has* CTN-OUTLET-NSL2A	1997 Available Contract	1997 Monthly RDA
540365	3 MILFORD VILLAGE S/	MILFORD	DE	96	32	1	0	RA	$100
561639	RT 47 & HESTON ROAD	GLASSBORO	NJ	74	18	0	0	RA	$100
604418	STREET & HULMEVILLE	BENSALEM	PA	84	18	0	0		
604424	100 W RIDGE PIKE	CONSHOHOCKEN	PA	100	22	0	1	RA	$100
604480	250 E LANCASTER AVE	WYNNEWOOD	PA	190	34	1	0	RA	$100
604514	1110 YOUNGSFORD RD	GLADWYNE	PA	148	23	1	0	RA	$100
604545	200 S BEST AVE	WALNUTPORT	PA	216	56	0	1	RA	$100
615530	PRINCETON SHOP/CTR	PRINCETON	NJ	98	23	0	0		
615653	PARKWAY AVENUE	TRENTON	NJ	102	22	0	0		
616013	609 BAY AVENUE	MANAHAWKIN	NJ	162	34	0	0	RA	$100
616200	9830 BUSTLETON AVE	PHILADELPHIA	PA	45	12	0	0		
616159	7350 OXFORD AVE	PHILADELPHIA	PA	88	8	0	0		
616167	1501 N BROAD ST	PHILADELPHIA	PA	10	4	0	0		
616173	500 PINE ST	PHILADELPHIA	PA	59	11	0	0		
616181	5700 VINE ST	PHILADELPHIA	PA	16	5	0	0		
616198	8001 TORRESDALE AVE	PHILADELPHIA	PA	103	17	0	0		
616199	9900 FRANKFORD AVE	PHILADELPHIA	PA	93	10	0	0		
616213	7613 LINDBERGH BLVD	PHILADELPHIA	PA	41	7	0	0		
616222	MERMAID & CRITTENDEN	PHILADELPHIA	PA	75	17	0	0		

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RJR ACCOUNT NUMBER	ADDRESS	CITY	STATE	AIM-WEEKLY-CARTON-VOLUME	AIM-RJR-WEEKLY-CARTON-VOLUME	*Currently Has* CTN-OUTLET-L2A	*Currently Has* CTN-OUTLET-NSL2A	1997 Available Contract	1997 Monthly RDA
616229	7162 RIDGE AVE	PHILADELPHIA	PA	48	14	0	0		
616232	1500 PACKER AVE	PHILADELPHIA	PA	106	15	0	0		
625455	401 W CHESTER PIKE	MANOA	PA	183	37	0	0		
625456	605 BALTIMORE PIKE	SPRINGFIELD	PA	148	29	1	0	RA	$100
625544	3609 PHILADELPHIA PI	CLAYMONT	DE	104	22	0	0		
625562	UNION & BALTIMORE PK	LANSDOWNE	PA	55	12	0	0		
625599	29 BRANMAR PLZ	WILMINGTON	DE	217	64	0	1	RA	$100
625675	2044 NEW CASTLE AVE	NEW CASTLE	DE	137	42	0	0	RA	$100
625706	401 NEW LONDON RD	NEWARK	DE	132	45	0	0	RA	$100
639573	HILLCREST SHP	PHILLIPSBURG	NJ	121	21	0	0		
655611	363 W BROWNING RD	BELLMAWR	NJ	175	35	0	1	RA	$100
665779	643 CONCHESTER HWY	BOOTHWYN	PA	106	22	0	1	RA	$100
702041	501 ROUTE 113	CHESTER SPRINGS	PA	167	43	0	0	RA	$100
711413	676 WHITE HORSE PIKE	ABSECON	NJ	109	25	0	1	RA	$100
711938	450 W SWEDESFORD RD	DEVON	PA	172	43	0	0		
729374	FRONT & GODFREY	PHILADELPHIA	PA	157	48	0	0	RA	$100
738832	QUEEN ANNE PLAZA	FAIRLESS HILLS	PA	0	0	0	0	RA	$100
778302	300 COMMERCE CIR	BRISTOL	PA	158	26	0	0		
778310	176 W CHELTEN AVE	PHILADELPHIA	PA	26	4	0	0		

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RJR ACCOUNT NUMBER	ADDRESS	CITY	STATE	AIM-WEEKLY-CARTON-VOLUME	AIM-RJR-WEEKLY-CARTON-VOLUME	*Currently Has* CTN-OUTLET-L2A	*Currently Has* CTN-OUTLET-NSL2A	1997 Available Contract	1997 Monthly RDA
778932	CROSROADS PLAZA	RICHBORO	PA	122	31	0	1	RA	$100
779090	10 OXFORD MALL	OXFORD	PA	138	27	1	0	RA	$100
854990	101 E ROUTE 70	MARLTON	NJ	255	54	1	0	RA	$100
854984	1433 BLACKWOOD CLEME	CLEMENTON	NJ	124	29	0	0	RA	$100
854985	1128 WHITE HORSE RD	VOORHEES	NJ	89	19	0	1	RA	$100
855007	ROUTE 38	MOUNT HOLLY	NJ	255	39	0	1	RA	$100
855023	WESTMONT PLAZA	WESTMONT	NJ	97	24	0	1	RA	$100
855026	200 WHITE HORSE PIKE	HAMMONTON	NJ	118	18	0	0	RA	$100
855039	ROUTE 49 & ATLANTIC	PENNSVILLE	NJ	51	10	1	0	RA	$100
855050	20 S DENNIS RD	CAPE MAY CT HS	NJ	274	60	0	0		
855051	2504 DELAWARE AVE	NORTH WILDWOOD	NJ	203	45	0	0		
975072	1495 OLD YORK RD	ABINGTON	PA	145	27	0	1	RA	$100
975942	4790 JAMES ST	PHILADELPHIA	PA	91	23	0	0		
								Monthly Total	$4,050
								Qtlty	$12,150
								Yrly	$48,600

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Volume Support Documentation
RJR /AIM Data

The following Volume Data reflects shipments from F.A. Davis and previous suppliers directly to the store level

Comparisons include info from Oct 95, up to and including Nov 96

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SUPERFRESH STORES

12/27/96

Previous (AIM Period 1): 10/16/95-03/31/96 = 168 Days 70 Store(s)
Current (AIM Period 2): 04/01/96-09/15/96 = 168 Days 69 Store(s)

Incl. Promoted Volume

	Full Price		Branded Savings		R/B/V		Total Savings		Overall	
	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current
RR	48,766	46,062	2,915	3,612	1	1,082	2,916	4,694	51,682	50,756
RM	140,824	114,784	6,796	4,198	0	2	6,796	4,200	147,620	118,984
BAT	33,481	28,557	5,143	4,144	0	0	5,143	4,144	38,624	32,701
LCR	38,211	33,076	0	2	0	0	0	2	38,211	33,078
L&M	3,213	2,229	46	15	0	0	46	15	3,259	2,244
Other	41	29	0	0	0	0	0	0	41	29
TOTAL	264,536	224,737	14,900	11,971	1	1,084	14,901	13,055	279,437	237,792

Avg Wkly Carton Vol Per Store = Previous: 166.3 Current: 143.6 Variance -13.7%

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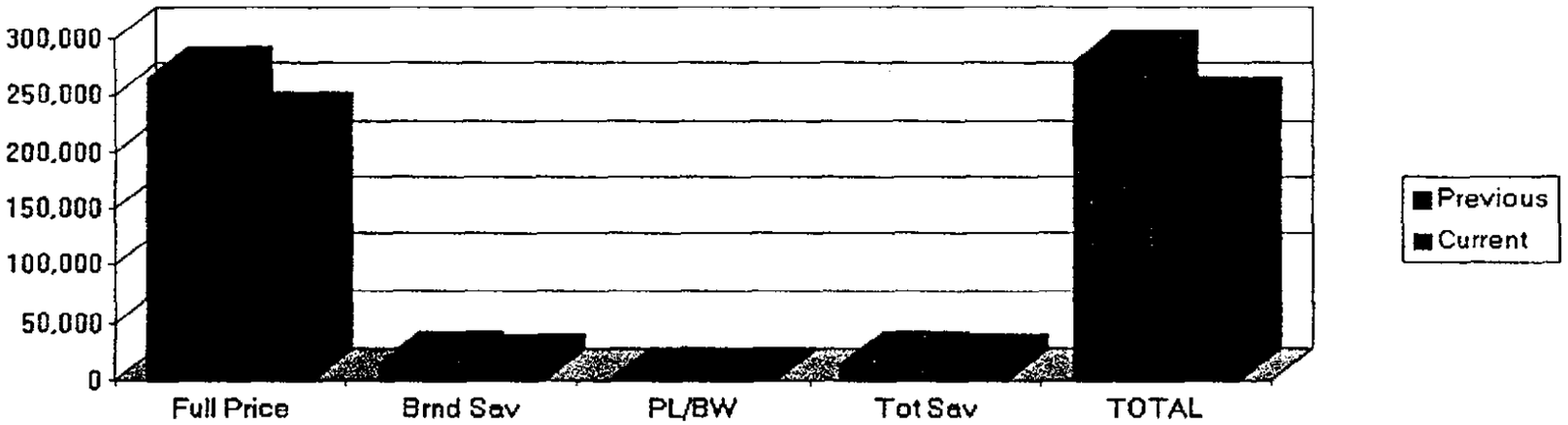
Volume by Price Tier



	Previous		Current		Variance		
	Cartons	Share	Cartons	Share	Cartons	Share	
Full Price	264,536	94.67%	224,737	94.51%	-39,799	-0.16%	
Brnd Sav	14,900	5.33%	11,971	5.03%	-2,929	-0.30%	
PL/BW	1	0.00%	1,084	0.46%	1,083	0.46%	
Tot Sav	14,901	5.33%	13,055	5.49%	-1,846	0.16%	Tot Var Vol %
TOTAL	279,437		237,792		-41,645		- 14.9%

SUPER FRESH STORES

Incl. Promoted Volume

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Previous	10/16/95-03/31/96
Current	04/01/96-09/15/96

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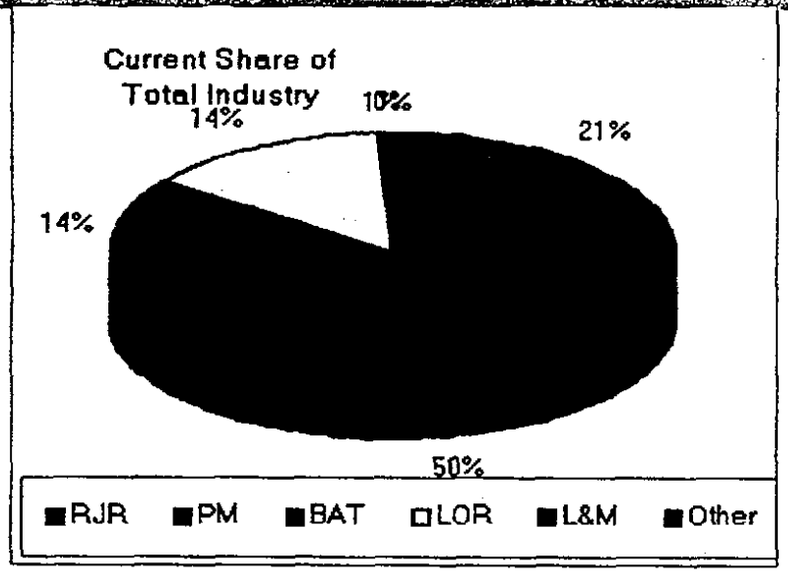
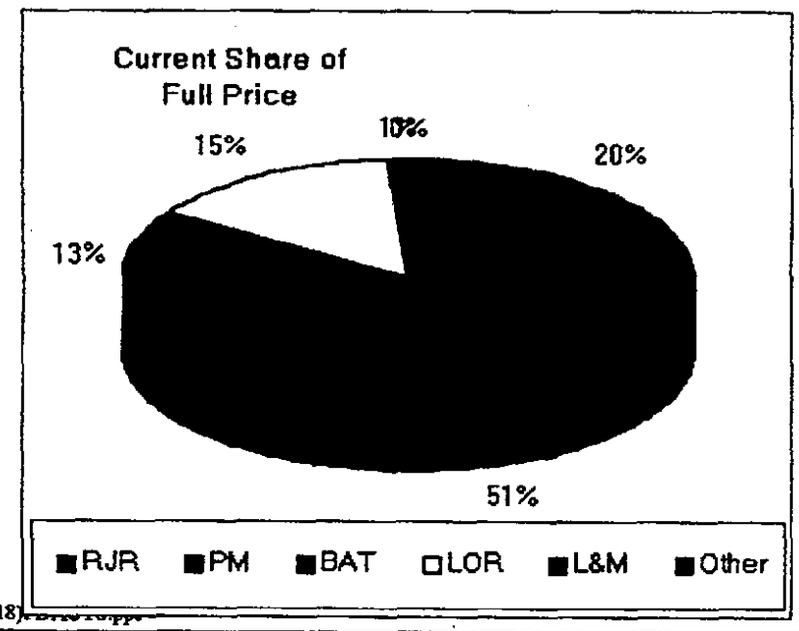


	Previous	Current	Variance
RJR	51,682	50,756	-926
PM	147,620	118,984	-28,636
BAT	38,624	32,701	-5,923
LOR	38,211	33,078	-5,133
L&M	3,259	2,244	-1,015
Other	41	29	-12
Industry	279,437	237,792	-41,645
			- 14.9%



	Previous	Current	Variance
RJR	48,766	46,062	-2,704
PM	140,824	114,784	-26,040
BAT	33,481	28,557	-4,924
LOR	38,211	33,076	-5,135
L&M	3,213	2,229	-984
Other	41	29	-12
Full Price	264,536	224,737	-39,799
			- 15.0%

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

SUPER FRESH STORES

12/27/96

Previous (AIM Period 1): 01/01/96-05/31/96 = 152 Days, 70 Store(s)
Current (AIM Period 2): 07/01/96-11/30/96 = 153 Days, 69 Store(s)

Incl. Promoted Volume

	Full Price		Branded Savings		PL/BW		Total Savings		Overall	
	Previous	Current	Previous	Current	Previous	Current	Previous	Current	Previous	Current
RJR	41,577	41,101	2,583	3,248	0	1,900	2,583	5,148	44,160	46,249
PM	117,234	98,450	5,016	3,396	2	0	5,018	3,396	122,252	101,846
BAT	27,200	23,644	5,126	4,878	0	0	5,126	4,878	32,326	28,522
LOR	32,131	29,351	2	0	0	0	2	0	32,133	29,351
L&M	2,025	1,614	406	306	0	0	406	306	2,431	1,920
Other	29	33	0	0	0	0	0	0	29	33
TOTAL	220,196	194,193	13,133	11,828	2	1,900	13,135	13,728	233,331	207,921

Avg Wkly Carton Vol Per Store = Previous: 153.5 Current: 137.9 Variance: -10.2%

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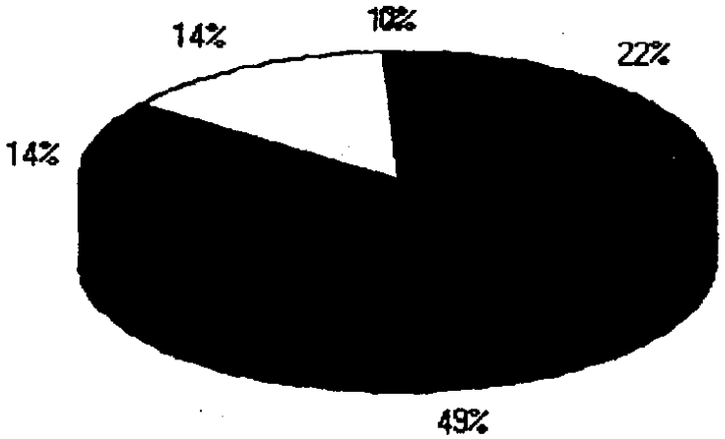
Current Share of Total Industry



Industry Carton Volume

	Previous	Current	Variance
RJR	44,160	46,249	2,089
PM	122,252	101,846	-20,406
BAT	32,326	28,522	-3,804
LOR	32,133	29,351	-2,782
L&M	2,431	1,920	-511
Other	29	33	4
Industry	233,331	207,921	-25,410
			- 10.9%

Full Price	220,196	94.37%	194,193	93.40%	-26,003	-0.97%	
Bind Sav	13,133	5.63%	11,828	5.69%	-1,305	0.06%	
PL/BW	2	0.00%	1,900	0.91%	1,898	0.91%	
Tot Sav	13,135	5.63%	13,728	6.60%	593	0.97%	Tot Var Vol %
							- 10.9%

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Previous 01/01/96-05/31/96

Current 07/01/96-11/30/96

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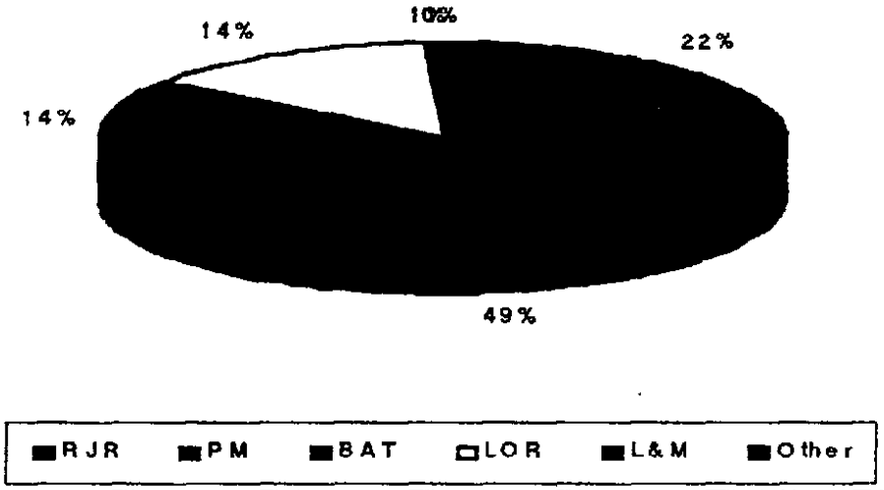
Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

Current Share of Total Industry



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BAT	32,326	28,522	-3,804
LOR	32,133	29,351	-2,782
L&M	2,431	1,920	-511
Other	29	33	4
Industry	233,331	207,921	25,410
			10.9%

Current Share of Full Price

Full Price Carton Volume

	Previous	Current	Variance
RJR	41,577	41,101	-476
PM	117,234	98,450	-18,784
BAT	27,200	23,644	-3,556
LOR	32,131	29,351	-2,780
L&M	2,025	1,614	-411
Other	29	33	4
Full Price	220,196	194,193	26,003
			11.8%

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

Data Analysis and Assumptions

- Store level "Average Cartons per Week" has shown a continuous decline from a high of 166.3 in Oct 95 to it's current 137.9, as of Nov 96.

- This rate, or percentage of decline to the Avg. Ctn. per week has slowed over the year from a minus 13.7% to minus 10.2%

- Declines incurred during the first period analysis were due in part to overall Carton Inventory reductions, which was the intended additional result of the remerchandising by R.J.R.
    - Declines to the Avg Cartons per Week however continue to project negatively on future Category growth. Unless corrective action is taken this decline will most likely continue.

- One positive action taken during the third quarter of 96 was the addition of "Pilot", a "Third Tier" price Brand.
    - Positively effecting volume by 1,900 additional cartons

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

Recommendations

- Begin "Store in a Store" concept development
- Maximize Available RDA Income
  - Coexistence between all competing companies
  - Improve the awareness among *Superfresh* Field Managers of the "value" of this Category to your "Bottom Line"
- Support the Category
  - Maximize Sales Opportunities
    - Increase Controlled Self Service of both Cartons and loose Packs
    - Evaluate current Pricing structure
      - Consider State Minimum Pricing
      - Multi Pack (2or3) Special Unit Sale Price
      - Meet Competition

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

Conclusion

- **R.J. Reynolds Tobacco Company Values it's association with *Superfresh* and would like to continue to assist with its support of the Cigarette Category as your advisor.**

- ***Superfresh* must review it's commitment to the Category and take the action necessary to improve it's own support for future growth within their trading area.**

- **We look forward to a mutually successful 1997**

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

R.J.R Merchandising Costs

•Carton Merchandisers

12 Feet w/ Security Features

$ 1,335.00

RJR Share of Cost- $267.00

Cost Balance- $1,068.00

•W/O Security

$ 967.00

RJR Share of Cost- $193.50

Cost Balance- $773.50

•Package Merchandiser

Universal Floor Unit w/ Flip Door Lock Up Security

$ 1,054.00

RJR Share of Cost- $ 263.50

Cost Balance- $ 790.50

•W/O Security

$ 576.00

RJR Share of Cost- $144.00

Cost Balance- $432.00

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

R.J.R. Merchandising Investments During 1996

Carton Merchandising - $ 42,170.00

Package Merchandising - $ 53,400.00

Professional Labor for Night Installations - $ 102,000.00

$ 197,570.00

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

SHOPPING BASKET ANALYSIS

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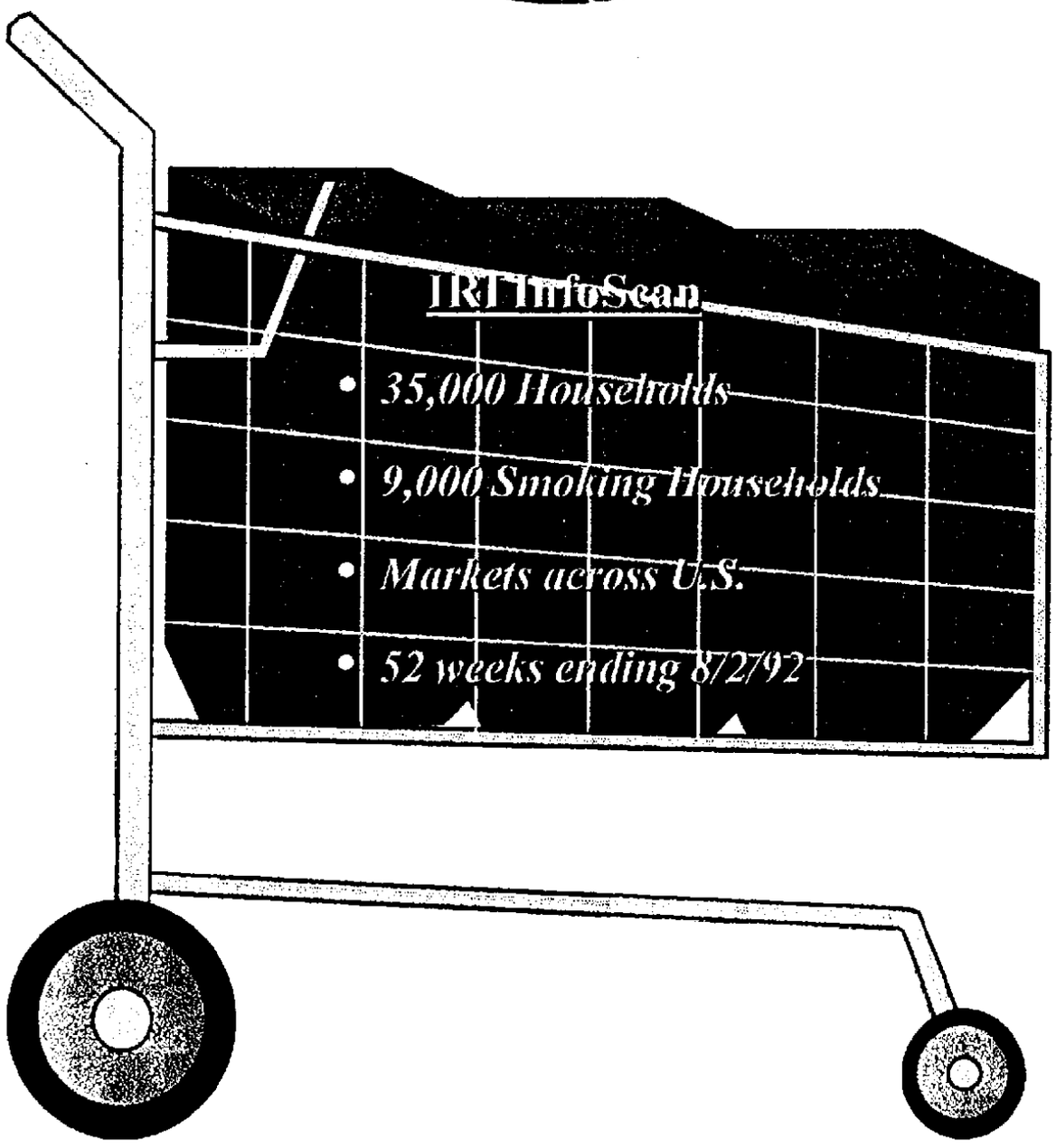
Shopping Basket Analysis

Supermarkets

Supermarkets



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A Shopping Basket Analysis

- *How important are cigarette sales to supermarkets ?*
- *How many $'s do smokers spend during buying trips ?*
- *Are other sales lost when smokers purchase cigarettes elsewhere ?*
- *Do increased cigarette sales mean increased shopping basket purchases ?*
- *Do the brands consumers smoke have any relationship on $'s spent ?*

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SUPERMARKET FACTS

- Annual supermarket sales of cigarettes are about $7.3 billion.
- The supermarket share of total U.S. cigarette volume is approximately 20%, down from 22% in 1994.
- Cigarettes account for 3.0% of total supermarkets all commodity volume.
- The average supermarket sells approximately 300 cartons of cigarettes per week, down from 334 in 1994.
- 64% of the cigarette volume that moves through supermarkets is in cartons, 36% in packs.
- Supermarkets are highly developed among Female smokers, 50+ years smokers, Carton purchasers, Ultra Low Tar smokers, and 100-120mm smokers.

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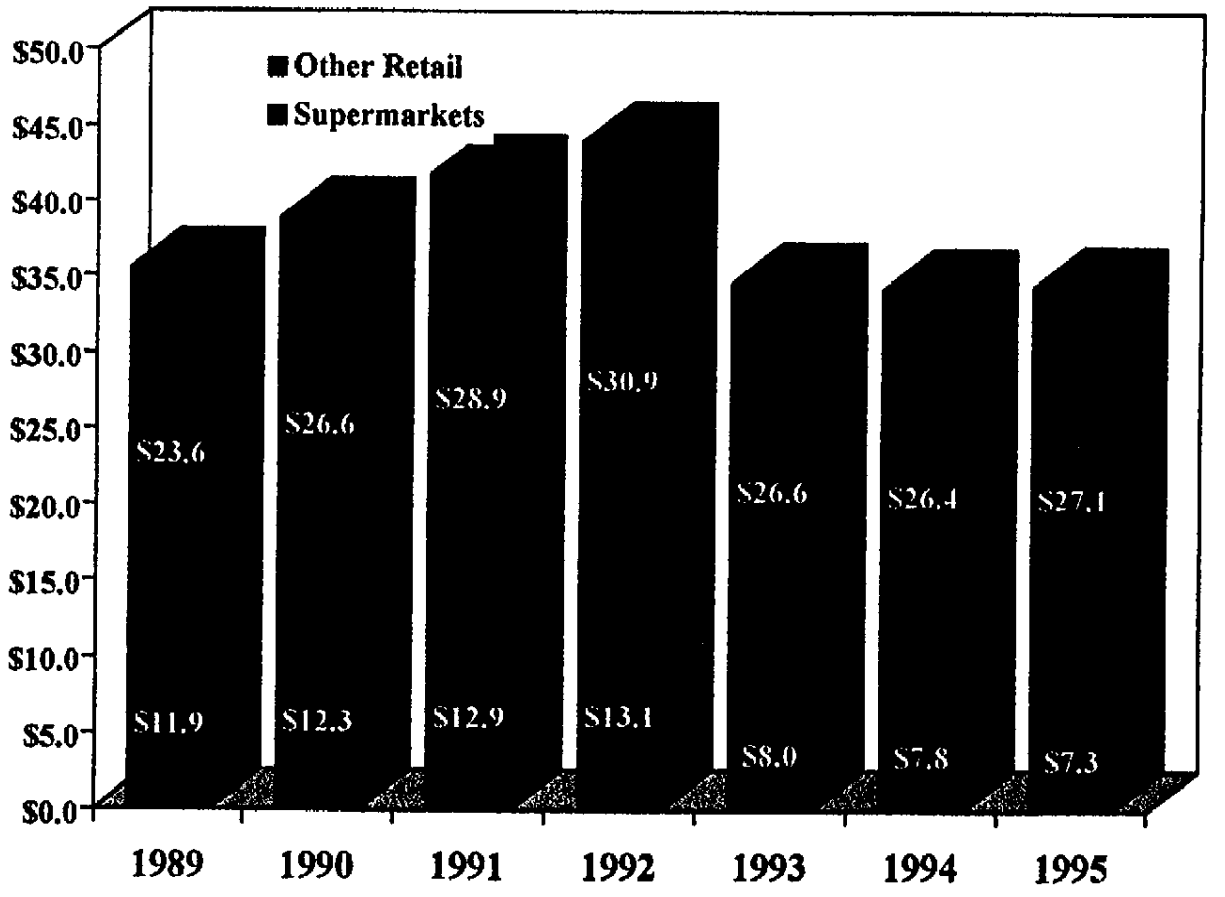
CIGARETTE RETAIL DOLLAR SALES

Billions of Dollars



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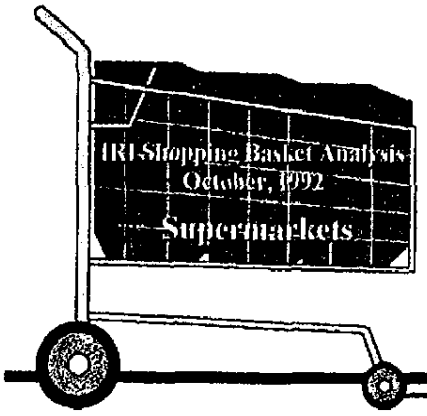
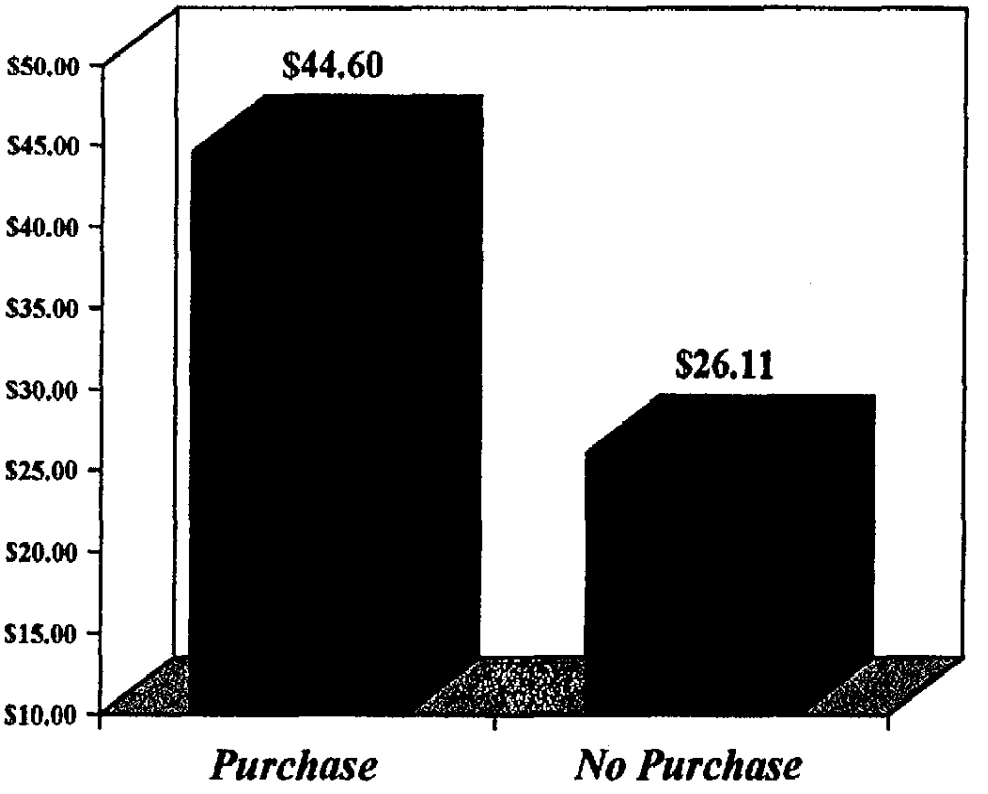


Cigarettes Contribute Increased $'s



- **Smokers spend 70% more when they purchase cigarettes**

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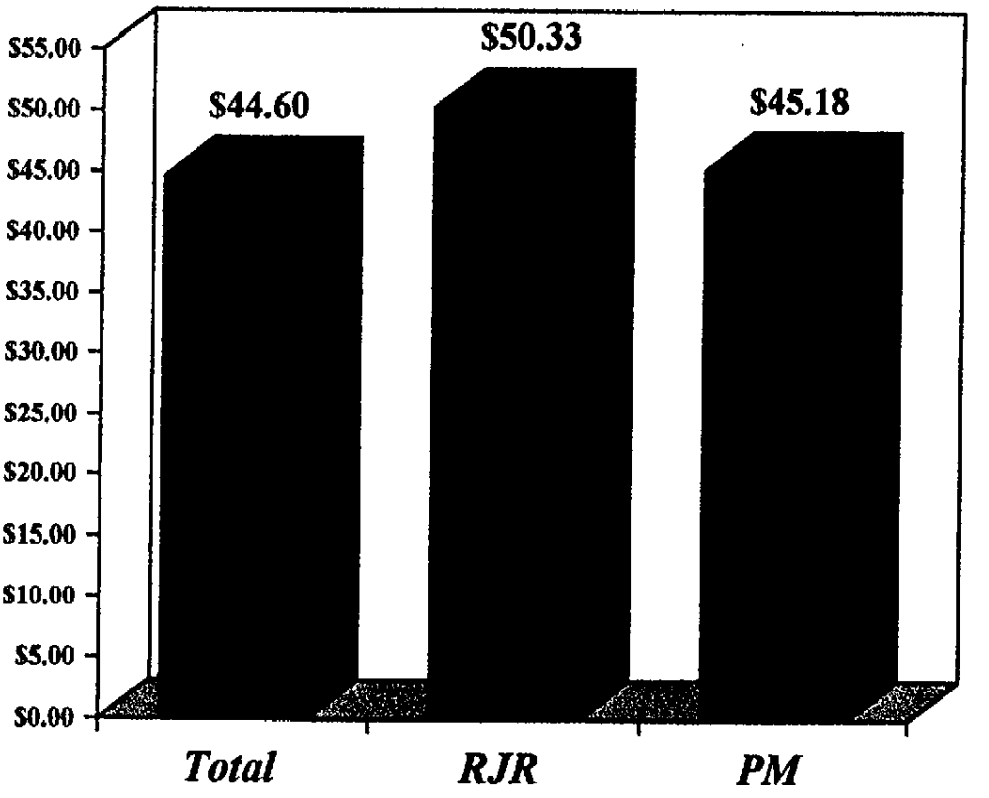
RJR Smokers Contribute Additional Dollars



- **RJR smokers spend 11% more than PM smokers when cigarettes are purchased.**

- **RJR smokers spend 12% more than the industry as a whole when cigarettes are purchased.**

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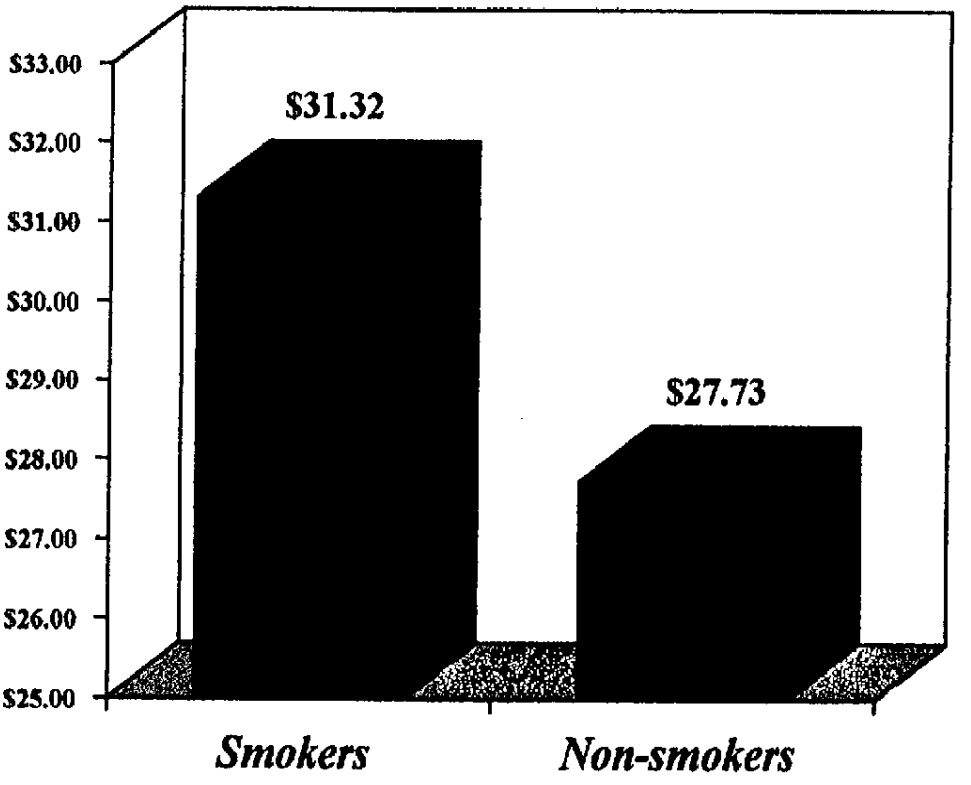
Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

Smokers Spend More $'s Than Non-Smokers



- **Smokers spend 13% more in supermarkets than non-smokers on an average buying trip.**

Note: Includes all trips, whether cigarettes purchased or not

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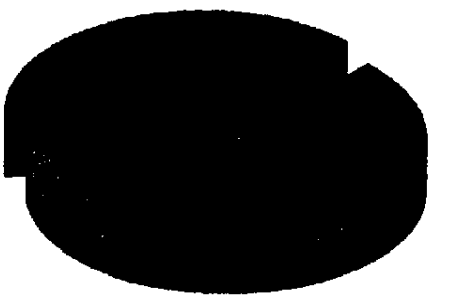
Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000

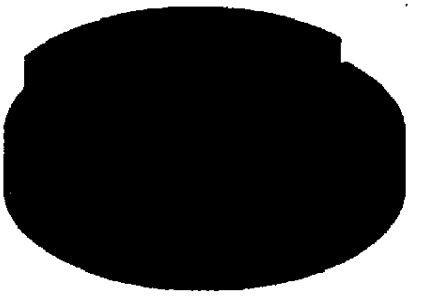
TOTAL U.S. SUPERMARKET

Cigarette Sales - Pack versus Carton Volume

Full Price Brands



Savings Brands



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CIGARETTE SALES IN SUPERMARKETS

- 3% of Total Sales
  - one of every 29 sales dollars
  - total store sales of 1 3/4 weeks each year
- Equals Combined Sales Of:
  - candy & gum
  - spices & extracts
  - canned vegetables
  - dried vegetables
  - pickles & olives
- Importance
  - BIG sales and profit dollars produced
  - Improper merchandising methods can reduce sales as much as 10% - 30%

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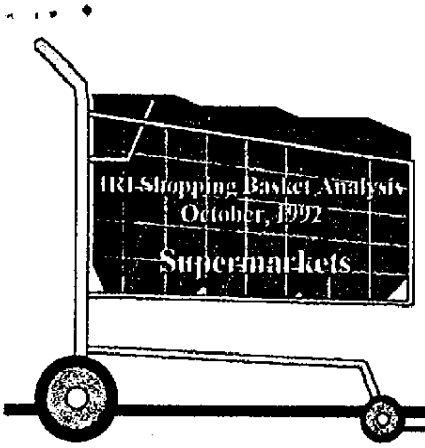
Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000



Shopping Basket Conclusions

- **Cigarettes are a primary source of additional revenue.**
- **Proper presence, promotion, distribution, and pricing can significantly increase sales.**
- **The fact that smokers purchase cigarettes only slightly over 25% of the shopping trips presents an opportunity to:**
  - ***Attract those consumers who are cross shopping at other outlets***
    - » **Emphasis should be placed on Full Price pack sales and promotions**
  - ***Insure existing customers are purchasing their cigarettes at your store to increase overall shopping basket sales***
- **Lost sales of cigarettes results in lost sales of other products and lost profitability beyond that of the cigarette category alone.**

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Source: https://www.industrydocuments.ucsf.edu/docs/pyly0000